AUSTRALIAN RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Contango Income Generator Limited

(Expected ASX Code: CIE)

July 2015

INDEPENDENT INVESTMENT RESEARCH

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1) The research process has complete editorial independence from the company and this included in the contract with the company;
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3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

For more information regarding our services please refer to our website www.independentresearch.com.au.

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INDEPENDENT INVESTMENT RESEARCH

Contango Income Generator Limited (Expected ASX Code: CIE)

Note: This report is based on information provided by Contango Asset Management Limited as at July 2015

Rating

Key Investment Information	
Expected ASX Code	CIE
Expected ASX Option Code	CIEO
Offer Price ($)	1.00
Offer Close	31 July 2015
Expected Listing Date	14 August 2015
Minimum/Maximum Shares on Offer ($M)	30.0/100.0
Pro-forma NAV per Share (Minimum/ Maximum Subscription)	$0.9880/$0.9780
Fees:	
Investment Management Fee (p.a) ex-GST	0.95% of portfolio value*
Performance Fee	na
Performance Fee Hurdle	na

*The management fee will be charged on a tierd scale. The annual management fee will be 0.95% for the portfolio value up to and including $150m, 0.90% for the portfolio value above $150m up to and including $500m, and 0.85% for the portfolio value above $500m.

Key Exposure	
Underlying Exposure	Portfolio of primarily ex-30 ASX-listed securities
FX Exposure	No direct FX exposure.

Fee Commentary

The annual management fee charged by the Investment Manager is in line with its peers. The Investment Manager is not eleigible for perofmrance fees, which is not the case for the majority of its peers.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

1. OFFER OVERVIEW

PRODUCT SUMMARY

Contango Income Generator Limited (expected ASX code: CIE) is an investment company which is seeking to list on the ASX. The company is seeking to raise between $30m and $100m through the issue of shares at $1.00 per share. Investors will receive one loyalty option for every two shares applied for. Contango Asset Management Limited (CAML) has been appointed as the Manager of the portfolio. CAML is wholly owned by Contango Microcap Limited (ASX: CTN). The company will invest primarily in ex-30 ASX-listed securities and will seek to pay an annual dividend of at least 6.5% of the NTA of the company at the beginning of the financial year. Dividends will be franked to the maximum extent possible and will be paid on a semi-annual basis. The Manager has the capacity to hold up to 50% of the portfolio in cash in the event attractive investment opportunities cannot be identified. The Manager will charge an annual management fee of 0.95% of the portfolio value, payable quarterly. The annual management fee will be charged on a tiered basis with the fee charged declining as the portfolio value grows. See the key investment information on the left for further details. No performance fee will be charged.

2. INVESTMENT VIEW

INVESTOR SUITABILITY

An investment in the company is suitable for investors that are seeking to gain access to a professionally managed portfolio of domestic equities. Given the high yield objective of the company, an investment in the company may be suitable for those investors that are seeking above market yield with the company seeking to pay a dividend of at least 6.5% of the NTA of the company. The $1.00 investors pay per share will be worth $0.9880/$0.9780 depending on the subscription size, due to listing costs. We note that the attaching loyalty option offsets the decline in NTA upon listing to some extent. Given that CIE will be a listed investment company (LIC), it may trade either at a premium or discount to the company's NTA. If the company trades at a discount, shareholders may not be able to realise their investment at NTA when they seek to exit. The options will likely act to ensure that a discount to NTA remains narrow, however may also restrict the upside until they have matured.

3. RECOMMENDATION

Independent Investment Research (IIR) has assigned Contango Income Generator Limited a **Recommended Plus** rating. The company is seeking to list on the ASX with the initial size of the company dependent on the amount of capital raised. The company will offer access to a professionally managed portfolio of domestic equities by an Investment Manager that has a significant amount of experience in managing investments in small and mid cap domestic equities. The company will seek to provide a portfolio that provides lower than market beta and offer a yield of at least 6.5%. Given the Manager's history we believe the yield is achievable. The Manager has shown its ability to manage a portfolio that achieves the stated objectives of the company, with members of the Manager seeding the Contango Midcap Income Trust. The Trust was established in December 2012 and has achieved the objective of outperforming the ASX All Ordinaries Accumulation Index with a lower beta and an above market yield. The company's portfolio will be managed in the same vein as the Trust. The Investment Manager is well resourced with an experienced investment team that cover the top down and bottom up analysis. The company will pay an annual management fee which is in line with its peers, however unlike it peers the Manager will not be eligible for a performance fee. We view this as appropriate. We note that there are some conflicts of interest associated with the company given the owner of the Manager (Contango Microcap Limited (ASX: CTN)) is going to be the largest shareholder at listing. It is unlikely that CTN would remove the Manager irrespective of performance.

4. SWOT

STRENGTHS

- The investment portfolio will be managed by an Investment Manager who has 17 years of investing in domestic equities with a focus on the small end of the market.
- The Investment Manager is well resourced with the investment team comprising 12 members.
- The company will issue attaching loyalty options to a subscription to shares in the company. This offers investors the ability to buy further shares in the company at the exercise price of $1.00 if the options are in the money at the maturity date. If the options are exercised the additional funds will provide additional capital for the Manager to grow the portfolio.
- Contango Midcap Income Trust was seeded by members of the Investment Manager in December 2012. The Trust is managed in the same fashion as the company's portfolio will be managed. Since its establishment, the Trust has outperformed the ASX All Ordinaries Accumulation Index on a total return basis and experienced lower volatility.
- Yield tends to pay a large part in whether a LIC trades at a discount or premium. Those LICs that can offer a steady income stream tend to trade at reduced discounts and even premiums to NTA. The Investment Manager has been able to achieve a 7%+ dividend yield over the last three financial years for Contango Microcap Limited, a LIC that is also managed by the Investment Manager.

WEAKNESSES

- The NTA of the company upon listing will be less than the $1.00 issue price due to listing costs. The company makes up for the deduction in NTA through the issue of loyalty options, however the NTA will be impacted by the issue costs.
- There is significant conflict of interest between the Investment Manager and the company, given the Investment Manager is wholly owned by the largest shareholder at present (Contango Microcap Limited (CTN)). It is highly unlikely that CTN would vote for the Investment Manager to be removed.
- For those that seek to exit a portion of their investment in the company within six months of listing will lose some of their entitlement to the attaching options.

OPPORTUNITIES

- An investment in the company offers investors the opportunity to gain exposure to a professionally managed portfolio of primarily mid and small cap ASX-listed stocks.
- The company offers access to the investment management expertise of CAML, which has a been investing in the smaller end of the market for 17 years.
- An investment in the company provides investors the opportunity to participate in an investment that seeks to generate an above market yield.

THREATS

- The company may be required to sell down its positions to make the 6.5% dividend payment. In the event sufficient capital growth cannot be obtained the Manager will likely have to sell down positions to make up the shortfall.
- There is no cooling off period therefore investors cannot redeem their interest in the company once they have committed to the investment until the company is trading on the ASX.
- The company may not achieve its objective of paying a 6.5% yield on the portfolio value.
- There is only one independent director on the Board of the company.

5. STRUCTURE

PRODUCT OVERVIEW

Contango Income Generator Limited (expected ASX code: CIE) is an investment company seeking to list on the ASX. The company is seeking to raise a minimum of $30m and a maximum of $100m through the issue of shares at $1.00 per share. Shares will have attaching loyalty options on a one-for-two basis. The loyalty options will vest or lapse on the vesting date (6 months from the close of the offer). Options will be issued on the vesting date in line with the number of shares held at that time. If the investor holds less than the number of shares subscribed to initially, then the investor will only be issued with the number of options associated with the number of shares held on the vesting date, not the number of shares subscribed to. If the investor sells all shares before the vesting date the investor will not be eligible to receive the options. After the vesting date, the company will seek to list the options. The expected ASX code will be CIEO.

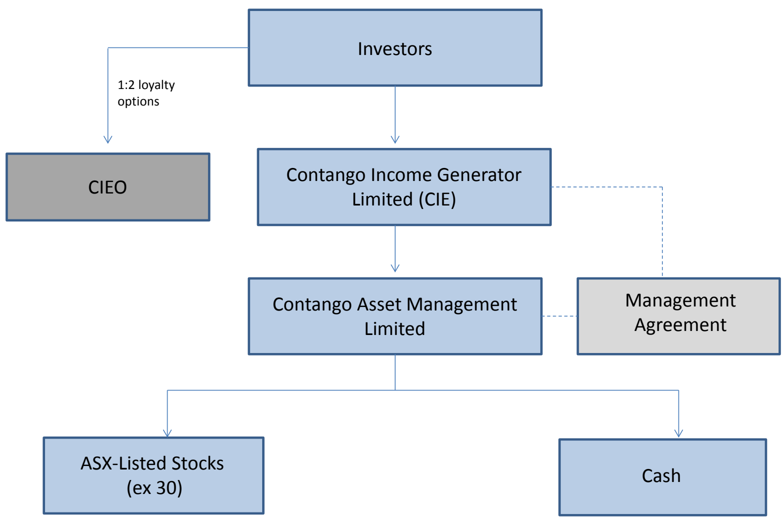
The company has appointed Contango Asset management Limited (CAML) to be the Investment Manager. CAML is wholly owned by Contango Microcap Limited (CTN), which will be a major shareholder in the company. More details regarding the Manager can be found in Section 6 below. The company may terminate the management agreement without cause at any time after the second anniversary of the commencement of the agreement. If the agreement is terminated without cause the company will have to pay a termination fee to the Manager.

The Manager has a mandate to invest in a portfolio primarily of ex-30 ASX-listed securities. The portfolio will be a long only, actively managed portfolio comprised of 30-40 securities. The company may hold up to 50% of the portfolio in cash if attractive investment opportunities cannot be identified. The company may hold up to 100% of the portfolio in ex-30 stocks but fall in the ASX 300 Index, and up to 20% of the portfolio in top 30 stocks or stocks outside the ASX 300 Index. There are no limitations regarding allocations to individual securities, however the company will be seeking to hold 30-40 positions.

The company will seek to pay an annual dividend of at least 6.5% of the company's NTA at the beginning of each financial year (1 July), franked to the maximum extent possible. Dividends will be paid on a semi-annual basis and will be paid from a combination of income and capital gains generated by the portfolio. We note that in the event sufficient income and gains cannot be generated by the company we would expect the company to return capital to investors to make up the difference to achieve the 6.5% yield.

The Manager will be paid an annual management fee of 0.95% of the portfolio value up to and including $150m, to be paid quarterly. For the portfolio value of greater than $150m up to and including $500m, the management fee will be 0.90% p.a. The management fee will be 0.85% p.a of the portfolio for amounts greater than $500m.

INVESTMENT STRUCTURE



Product Leverage	
Used:	No direct leverage will be used by the Investment Manager.
Cost (incl. Fees):	na
Recourse:	na
Capital Protection	na
Tax	
Disclaimer:	***Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Independent Investment Research's expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice***.
Capital gains:	A capital gains tax (CGT) event will likely occur in the event the investor sells the company on market for a higher price than was purchased for. Investors will likely be eligible for the CGT discount if the shares are held for more than 12 months. Investor will also likely be eligible for LIC capital gains tax concessions.
Distributions:	Dividends will likely be on income account in the year earned.
Legal Structure	
Wrapper:	Listed Investment Company
Portfolio Manager.:	Contango Asset Management Limited
Capital vs. Income:	Returns will likely comprise a combination of both capital and income, the extent of which will depend on the composition of the portfolio.
Investor Leverage	
Available:	No
Risks	***The below is not a full list of all risks associated with the model portfolio but highlights what IIR considers to be the larger risks associated with the company. A detailed risk assessment can be obtained from the PDS.***
Dividend Risk:	The company seeks to pay a dividend of at least 6.5% of the company's NTA at the beginning of each financial year. This is a high yield and the company may not be able to meet the objective.
Exercise Price Risk:	Investors will be issued one attaching loyalty options for every two shares subscribed for. The options will have an exercise price of $1.00 and mature 2 years after the vesting date. In the event, the company is trading at less than $1.00 at the maturity date the options will be out of the money and not worth exercising. This will mean that the company will not raise capital to expand the portfolio and the initial value of the options to investors under the offer will be zero.
Key Person Risk:	Key person risk is low for the company, with the Investment Manager well resourced.
Discount to NTA:	The company may trade at a discount to NTA. As such investors may not be able to realise NTA upon exit. On the flip side, the company may trade a premium to NTA, meaning investors may have the opportunity to exit at a price above the NTA.

6. MANAGEMENT & CORPORATE GOVERNANCE

PORTFOLIO MANAGER

Contango Asset Management Limited (CAML) has been appointed as the Investment Manager. CAML was established in 1998 and currently has $840m funds under management. CAML is wholly owned by CTN. CTN will be a substantial shareholder in the company, subscribing to 30m shares.

CAML currently manages the portfolio for CTN, a listed investment company that was listed in March 2004. Since listing, CTN has generated an average rolling annual return (pre-tax NTA plus dividends) of 12.7% to 31 March 2015. From an investor perspective (share price plus dividends), the company has returned an average rolling annual return of 15.2%.

Management Agreement

The company has entered into an investment management agreement with the Manager for an initial period of ten years. The company may terminate the agreement any time after the second anniversary of the agreement, without cause. If the agreement is terminated without cause, the company will be required to pay a termination fee. If the Manager is terminated due to a material breach of its obligations under the agreement, no termination fee will be payable.

BOARD OF DIRECTORS

The Board will comprise four directors. All directors have extensive experience in their respective industries, with a significant amount of executive experience. All members of the Board, except for George Boubouras, are non-executive, with Mr. Clarke the only independent director.

Board of Directors		
Name	**Position**	**Experience**
Ian Ferres	Non-Executive Chairman	Mr. Ferres has 58+ years experience in the funds management industry. Mr. Ferres was an Executive Director from 1983 to 1990 at National Mutual Limited, Managing Director of Meridian Funds Management from 1988 to 1990 and Group Managing Director of Australian Unity from 2002 to 2004.
Mark Kerr	Non-Executive Director	Mr. Kerr is a director of Berkeley Consultants Pty Ltd, which specialises in public relations. Mr. Kerr currently holds director roles at three other ASX-listed companies.
Don Clarke	Independent Director	Mr. Clarke is a corporate partner at Minter Ellison. Mr. Clarke has over 30 years experience in advising ASX-listed and private companies across a range of industries, with respect to law, governance and investment issues.
George Boubouras	Chief Investment Officer CAML, Executive Director	Mr. Boubouras has over 25 years experience in the financial services industry, holding senior positions at various companies, including Chief Investment Officer at Equity Trustees Ltd and UBS Wealth Management, Investment Strategist at Macquarie Group and Head of Asset Allocation, Fixed Income and Equity Research at HSBC Asset Management.

INVESTMENT TEAM

The Manager is well resourced with the investment team comprising twelve members with an average of 19 years experience between them. Carol Austin and Eamon Zelencich are responsible for the top down analysis, while the remainder of the investment team is responsible for the bottom-up analysis of stocks.

Investment Team		
Name	**Position**	**Years Experience**
George Boubouras	Chief Investment Officer	25+
Carol Austin	Investment Services Director	35
Alistair Drummond	Senior Investment Manager	30
William Laister	Portfolio Manager	35
Shawn Burns	Portfolio Manager	29
Justin Farley	Portfolio Manager	21
Stephen Scott	Senior Investment Analyst	20
Justin Puli	Senior Investment Analyst	12
Paul Davoren	Investment Analyst	20
Craig Allen	Investment Analyst	13
Eamon Zelencich	Economist	7
Ross Edwards	Dealer	19

7. INVESTMENT PROCESS

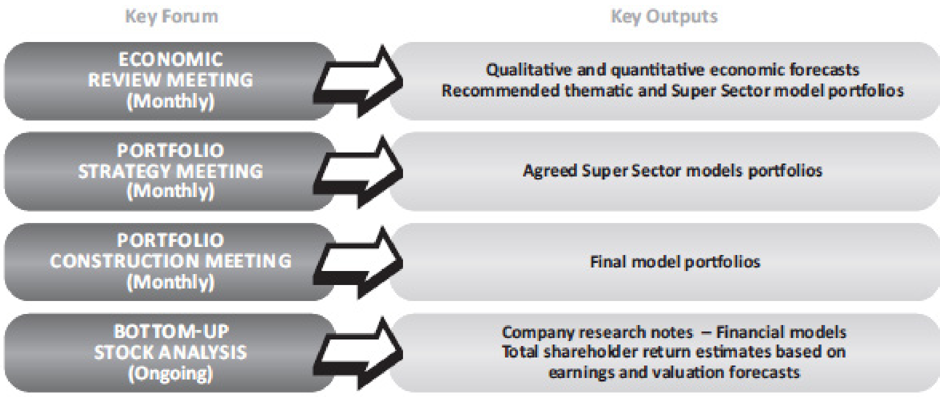
INVESTMENT OBJECTIVE

The company seeks to provide investors with access to an above market yielding portfolio of primarily ex-30 ASX-listed securities. The company elected ex-30 securities as most people have exposure to the top 30 stocks through their own investment portfolios or through their superannuation funds. While trying to maximise total returns to investors, the company also seeks to preserve capital through it's ability to hold up to 50% of the portfolio in cash if attractive opportunities cannot be identified.

INVESTMENT PROCESS

- The Manager uses a combination of top down, and bottom up analysis to select the portfolio. The below graphic details the investment process.

Investment Process



Top Down Analysis

- The Manager undertakes a regular assessment of the economic conditions to determine the sectors which are likely to outperform given the forecast domestic and global economic environment. The Manager has monthly meetings to review economic conditions and suggest investment thematics. The investment thematics are used to construct the portfolios.

Bottom Up Analysis

- In combination with the economic analysis, the Manager undertakes bottom up fundamental analysis of companies to determine the preferred investments for the respective sectors.
- Each of the analysts and portfolio managers are allocated sectors for which they are responsible. Given the large number of stocks to cover the Manager screens stocks based on a range of filters to create the investment universe.
- Some of the key filters include:
  - Yield of 4%+;
  - Beta that is lower than the market;
  - Franking;
  - Volatility;
  - Level of gearing;
  - Liquidity.
- Once the investment universe has been created, analysts complete detailed research and compile financial models.
- Analysts compile total shareholder return estimates based on the research conducted. The return estimates will be ranked and used to compile the portfolio which will generate the greatest total return to shareholders and achieve the company's objectives.
- Positions will be exited for a range of reasons which include:
  - Stock value approaches the analysts target price;
  - Changes to the fundamentals of the holding or expectations are not being met;
  - Rotation due to changes to the forecast economic environment; and
  - More attractive investment has been identified.

8. PORTFOLIO

- The Manager has the mandate to invest as per the guidelines tabled below. The Manager is required to invest primarily in ex-30 securities, however can invest up to 20% of the portfolio in the top 30 securities. We have provided the portfolio of the Contango Midcap Income Trust below to provide a guide as to how the portfolio will be constructed for the company. At 30 June 2015, the portfolio comprised one security in the top 30.

Investment Limitations		
Investment	**Minimum (%)**	**Maximum (%)**
Cash	0	50
Ex-30 securities but in the S&P/ASX 300 Index	50	100
Other - top 30 or ex-300 securities	0	20

- As at 30 June 2015, the unit trust comprised 34 securities. The largest sector allocation was to the Financials sector with 33.2% of the portfolio allocated to this sector. The top 10 holdings account for 46% of the portfolio.
- Given the yield objective of the company we expect there to be little to no exposure to the Materials sector. The Manager is currently happy with the level of gearing in the property sector and is watching these levels to ensure the companies do not take on too much debt and reach the levels of risk that resulted in the sectors demise during the GFC. We note that the allocation to the property sector has been declining over the past two years.

Historical Sector Allocations of				
Sector	**31 March 2013 (%)**	**31 March 2014 (%)**	**30 September 2014 (%)**	**30 June 2015 (%)**
Property	32.7	25.3	20.8	15.0
Infrastructure/Utilities	20.4	13.3	10.9	12.6
Financials	18.8	22.9	21.7	33.2
Consumer Discretionary	15.9	25.4	22.6	27.2
Industrials	7.7	4.9	7.9	4.4
Healthcare	0.9	1.1	1.0	1.4
Information Technology	0.0	1.6	2.5	1.0
Telecommunications	1.2	0.0	0.0	0.0
Materials	0.0	0.0	0.0	1.9
Cash	1.7	5.5	12.7	3.3

- The largest position in the Contango Midcap Income Trust at 30 June 2015 was the Bank of Queensland (ASX: BOQ). The historical dividend yield of the ASX All Ordinaries Index is 4.25%. The majority of the top 10 holdings have an above average market yield, which is in line with one of the company's primary objectives of providing an above market yield to shareholders. We have provided the beta of the top 10 stocks in the below table given one of the stock selection requirements for the company is a lower than market beta. As the below table shows, the betas of the top 10 holdings are close to or below the market beta, being 1.0.

Top 10 Portfolio Holdings at 30 June 2015			
Security	**Weight (%)**	**Historical Dividend Yield (%)**	**Beta***
BOQ	6.2	5.34	1.10
BEN	5.6	5.11	1.03
AGL	5.0	3.91	0.70
TAH	4.9	3.64	0.85
TTS	4.8	3.65	0.81
DUE	4.7	7.38	0.46
ASX	4.4	4.28	0.73
IFL	3.8	5.89	1.28
GUD	3.5	4.25	0.90
MMS	3.1	4.34	1.03
	46.0		

* Beta is calculated on a daily share prices over the three-years form 30 June 2012 to 30 June 2015.

9. PERFORMANCE ANALYTICS

SUMMARY OF ANALYTICAL RESULTS

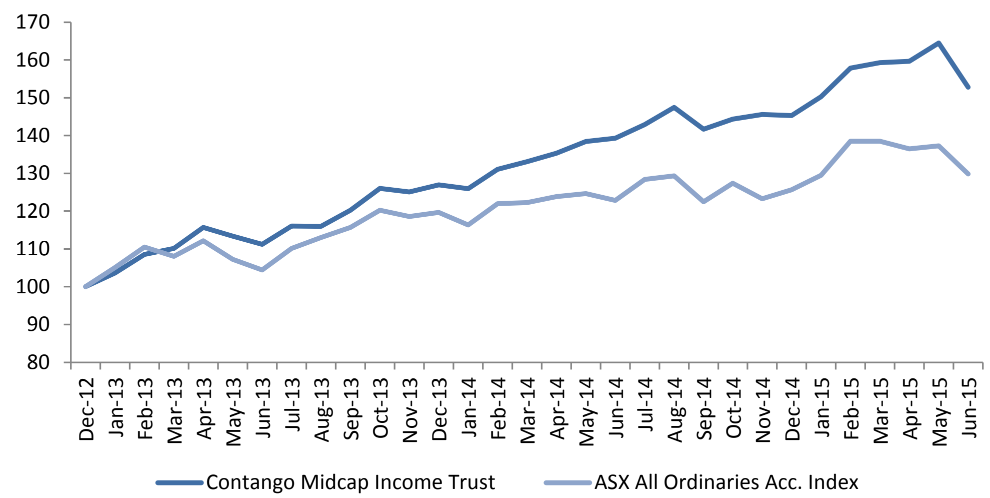
The company is yet to be listed and therefore has no performance history, however members of the Manager seeded the Contango Midcap Income Trust which was established in December 2012. The portfolio for the unit trust has been managed in the same fashion in which the portfolio will be managed for CIE and therefore we have assessed the performance of the Trust to determine the success of the strategy. We note that the performance figures are gross portfolio performance as there was no management fees charged. Future performance of the company will incorporate the management fee pad to the Investment Manager. The key findings include:

- Since the trust was seeded in December 2012, the portfolio has outperformed the ASX All Ordinaries Accumulation Index by 7.2%p.a. We compare the portfolio to the ASX All Ordinaries Accumulation Index as the Manager seeks to outperform this index over the medium-term.
- The Trust's portfolio has experienced lower volatility than the ASX All Ordinaries Accumulation Index. This coupled with the outperformance of the Trust, has resulted in the Trust providing a better risk-adjusted return than the market.
- The company is seeking to deliver a portfolio that offers a lower than market beta. The portfolio of the trust has achieved this with a beta of 0.68 from December 2012 to 30 June 2015, calculated using month-end data.
- The management fees associated with the company are in line with its peers at 0.95% of gross assets per annum. Unlike the majority of its peers, the Manager of the portfolio will not be eligible for a performance fee.

PERFORMANCE HISTORY

- The company is yet to be listed and as such has no performance history, however the Manager has operated the Contango Midcap Income Trust since December 2012, which is managed in the same fashion as CIE's portfolio will be managed. As such we have analysed the performance of the unit trust to determine how the success of the investment strategy to date.
- Since the unit trust was established in December 2012, the Trust has outperformed the ASX All Ordinaries Accumulation Index, generating a total return of 17.8%p.a compared to the Index return of 10.6%p.a to 30 June 2015. Over the 30 months to 30 June 2015, the trust has outperformed the market in 67% of the months. We note the lack of exposure to the materials sector has assisted with the outperformance of the Trusts portfolio.
- In addition to the total return outperformance, the Trust has experienced a lower volatility the ASX All Ordinaries Accumulation Index since inception to 30 June 2015. The Trust experienced a standard variation of 9.7%, compared to the Index of 11.8% over the period.

Historical Performance of Portfolio



- One of the key features of the company is it's intention to pay a dividend of at least 6.5% of the company's NTA at the beginning of each financial year. This is well above the market yield of 4.25%. Given the company is yet to list we cannot know whether this will be achieved. However, the Manager also manages the portfolio for Contango Microcap Limited (ASX: CTN) and CTN has offered a dividend yield of 7%+ for the past three financial years. This suggests that the dividend objective is achievable. The below tables the annual dividend yield based on CTN's NTA at the beginning of the financial year for the last three financial years.

CTN Dividend Yield			
Financial Year	**NTA**	**Dividend**	**Yield**
FY'12	$1.207	8.5 cents	7.0%
FY'13	$1.046	7.8 cents	7.5%
FY'14	$1.217	8.6 cents	7.1%

PEER COMPARISON

- The below table provides a selection of comparable LICs to CIE that are listed on the ASX. While some of these LICs have the ability to invest in companies of all sizes they tend to focus on ex-50 stocks.

- The portfolio (pre-tax NTA plus dividends) returns of the peer group have been mixed and some companies are trading at a discount to pre-tax NTA while others are trading at a premium. From a yield perspective, WIC currently offers the greatest yield, although we note that the discount the company is trading at is contributing to the enhanced yield.

LIC	ASX Code	Management Fee (%p.a)	Performance Fee (%)	Performance Fee Hurdle	Premium/ Discount to Pre-tax NTA**	Return (% pa)**		Dividend Yield (%)***
						1 year	3 year	
Contango Microcap Limited	CTN	na*	na*	na*	-11.9%	13.5	11.2	8.2
Barrack St Investments Limited	BST	1.0	20.0	8.0% p.a	-21.6%	na	na	0.6
Mirabooka Investments Limited	MIR	0.7	na	na	+6.6%	4.3	20.0	3.7
Naos Emerging Opportunities Company Limited	NCC	1.25	15.0	ASX Small Ordinaries Accumulation Index	-11.9%	0.5	na	6.1
Westoz Investment Company Limited	WIC	1.0	20.0	10% p.a	-15.1%	-24.1	7.3	9.5
WAM Capital Limited	WAM	1.0	20.0	All Ordinaries Accumulation Index	+3.8%	6.0	15.1	6.9

* The management of the CTN portfolio was recently internalised and as such there are no management or performance fees as the investment team are now on salaries.

**Figures based on share prices and pre-tax NTA figures as at 30 June 2015.

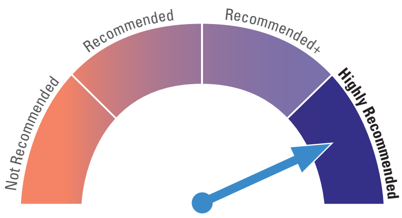
***As at 15 July 2015

APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD "IIR" RATING SYSTEM.

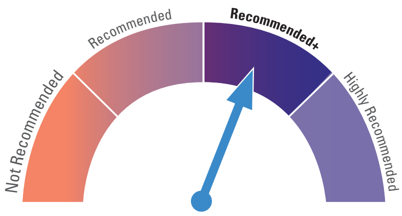
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	83 and above



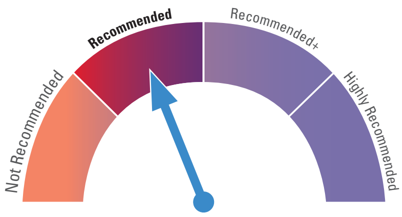
This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.

LMI Ratings	SCORE
Recommended +	79–82



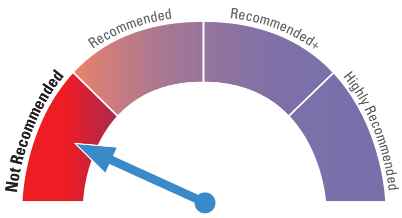
This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.

LMI Ratings	SCORE
Recommended	60–78



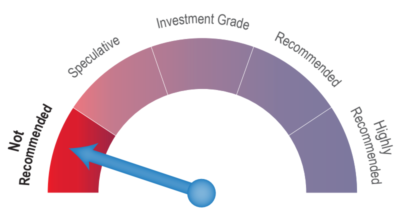
This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.

LMI Ratings	SCORE
Not Recommended	<60



This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.

LMI Ratings	SCORE
Not recommended	39 and below

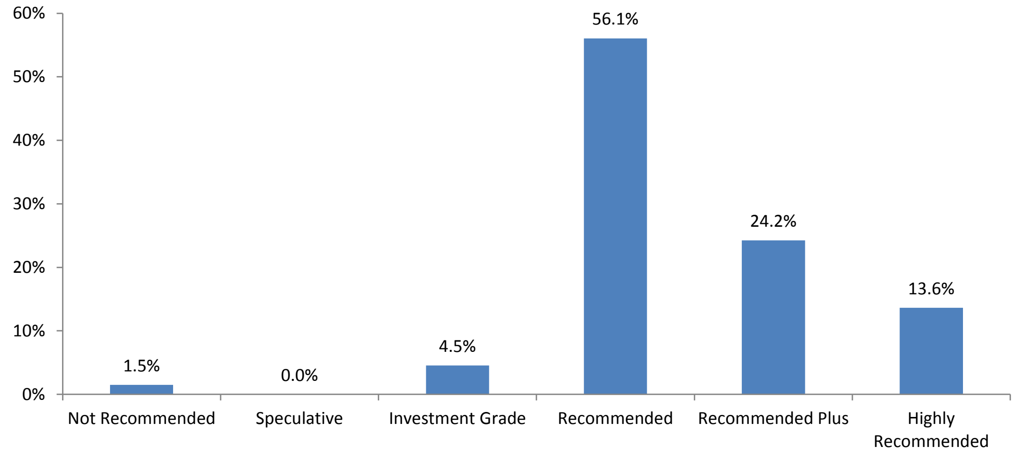


This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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For further information, please contact IIR at: client.services@
independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE
Level 10, 50 Pitt Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE
Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

DENVER OFFICE
1011 S Valentia 138
Denver Colorado 80247
Phone: +1 161 412 444 724

MAILING ADDRESS
PO Box H297 Australia Square
NSW 1215